



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 5 DECEMBER 2016 COMMENCING at 10:00AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Stuart Hutchinson (Chairman), Reg Barry, David Eccles, Colin Richards, Dave Stewart, Roger Whitby-Smith
Auditors Present	Simon Mathers, David White (Ernst and Young) Emma Butler, Dan Deacon, Geraint Newton (PricewaterhouseCoopers)
Officers Present	Jennifer Beresford, Helen Miles, Jo Thistlewood
Apologies	Cllr Colin Richards

27. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on [26 September 2016](#) be confirmed.

28. **Declarations of Interest**

There were no declarations received at this stage.

29. **Reports of the External Auditor**

(a) [Annual Audit Letter for the year ended 31 March 2016](#)

The committee considered the letter from the external auditors which concluded the audit work for the financial year 2015-2016. Detailed auditors findings had been presented to the committee when it met in September 2016.

The auditors advised that, following the committee's approval, an unqualified opinion had been issued on the council's accounts and the Isle of Wight Pension Funds accounts. An unqualified value for money conclusion had also been made. The financial challenges and budget pressures faced by the council remained a key challenge. Members

also expressed concern that reductions in capacity would embed problems strategically.

Discussion took place regarding changes to the requirements to account for the Highways Network Assets (formerly Transport Infrastructures Assets). It was now believed the Highways Network would not be recognised as an asset until 2017/18. Members were advised there had been no investment in technology in preparation of the change but business processes and procedures had been reviewed.

RESOLVED:

THAT the External Auditor's Annual Audit Letter be noted.

(b) **[Audit Committee Progress Report December 2016](#)**

The committee were presented with the Audit Committee Progress Report by the council's external auditors, summarising the work completed since the September 2016 meeting. It was noted cyclical work to identify the council's material income and expenditure systems was due to commence in December 2016 and would be continued in March 2017.

Grant certification work had been completed and the claim would be certified subject to amendment and qualification. Members were reassured amendments resulting from the auditors work would not impact the level of subsidy claimed by the council.

Discussion took place regarding the changes to the appointment of External Auditors by PSAA Ltd and it was noted that Ernst and Young's contract would not be extended beyond the end of 2017/18.

RESOLVED:

THAT the progress report be noted.

30. **[Audit Committee Internal Audit Progress Report](#)**

The committee was presented with a report from the council's internal audit provider on the progress of the audit plan. Members were advised two planned reviews had been rescheduled to accommodate the availability of key contacts and to ensure the work took place when it was of greatest value to the council. These were the reviews of:

- Adult Social Care – Savings Plans and the Dynamic Purchasing System and;
- Communications.

Attention was drawn to the number of agreed actions which remained open from 2014/15 (68) and 2015/16 (88). Members were advised it had been recommended additional resource be allocated to ensuring these actions

were completed. It was believed that actions had been carried out, but that the reporting system had not been updated.

The committee sought reassurance in regard to the review of Adult Social Care. It was noted the scoping of the planned 2016/17 review had been delayed to allow the newly appointed permanent director of adult social care to sign off on the results of the previous 2015/16 audit report and take any actions into account during the scoping of the 2016/17 review.

Clarification was sought regarding the scope of the Communications review. The initial scope would be reviewed due to capacity issues and to avoid possible duplication of work with a Local Government Review which had recently taken place. Member's emphasised the importance of stakeholders being able to communicate with the council. It was agreed further information regarding the scope of the review would be shared with the committee when agreed. A review of the Contact Centre was included on the list of possible areas for audit next year and members indicated they expected it to be shortlisted.

Two internal audit executive summaries were considered: Workforce Development and Property Management. Both were considered to be medium risk.

During discussion regarding Workforce Development, members suggested that succession planning was key to the future of the council and leadership should be grown from within the organisation. It was noted that the council's Growing Leadership Programme had been commended.

The committee expressed concern regarding the risks associated with water testing issues raised by the internal auditor. Reassurance was provided that a recovery plan was in place with a new contractor to normalise the drop in service levels from the incumbent provider and also, that the level of monitoring in place with that contractor had exceeded what was legally required.

Members questioned the nature of the leases on properties with peppercorn rents and were assured repairing leases were in place, although capacity to ensure buildings were being maintained was limited. Fragmented management of properties was a key area of concern and it had been proposed by the auditors that an action plan be drawn up to address the issues found during the review.

RESOLVED:

THAT the report be noted.

31. Reports of the Technical Finance Manager

(a) [Treasury Management Half-Yearly Progress Report](#)

The Technical Finance Manager provided the committee with a half-year progress report detailing the progress on treasury management policies, practices and activities for the financial year 2016/2017.

Discussion took place regarding interest rates. Members noted that bank rates were monitored continually, both internally and through the council's independent treasury advisor Arlingclose Limited. Short term investments were managed according to the best rates available. Reassurance was provided that the relevant members were advised of activity through CMT/Executive.

Clarification was sought in relation to the Highways PFI. Members were advised that the money put aside to fund the PFI had not been invested as originally planned, but used to fund other activities. Liability was building on the budget sheet but the council was borrowing to fund it. The table on page E15 of the progress report (attached to and forming part of these minutes) would be reviewed and if necessary revised to reflect this.

RESOLVED :

THAT the Treasury Management Half-Yearly Progress Report be noted.

(b) [Counter Fraud and Corruption Strategy](#)

The committee considered the revised Counter Fraud and Corruption Strategy and the assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the resulting action plan. The strategy had been produced in line with the CIPFA Code of Practice, as recommended by the Internal Audit Review of Fraud and Risk undertaken in November 2015.

Reassurance was provided that the Head of Internal Audit retained ownership for fraud following the nation-wide transfer of in-house benefit fraud teams to the Department of Work and Pensions.

Discussion took place regarding the vulnerabilities of the council's ICT systems. It was noted there was a robust firewall and strategy in place. The council also participated in the National Fraud Initiative whereby data was uploaded to a national database which allowed records to be crosschecked against other organisations to identify potential fraud.

Members raised questions in relation to whistleblowing and were advised the Head of Legal Services, the Head of Resources and the Chief Executive were key contacts. The three occurrences of whistleblowing that had been received by the Head of Legal Services,

were all very different in nature. The Technical Finance Manager was aware of two different instances which could potentially be of a financial nature, one of which was being investigated by the Police. A detailed report on whistleblowing would be brought to the June 2017 meeting.

The committee was assured the council's financial approval systems were robust. Internal controls included the monitoring of duplicate payments, those which fell just below thresholds and payments to one time vendors. The approval of different payment values at the appropriate level provided management oversight which supported internal controls. Internal and external audit examination then added a further line of defence. Fraud was an inherent risk in all organisations but in the council, the segregation of duties meant multiple teams would need to work together to facilitate it. Each service manager had been asked to identify the risks to their areas to strengthen preventative measures.

RESOLVED :

- (i) THAT the revised Counter Fraud and Corruption Strategy be approved.
- (ii) THAT the assessment against the CIPFA Code of Practice and the resulting action plan be noted.
- (iii) THAT a detailed whistleblowing report be brought to the June 2017 meeting.

32. **[Procurement Activity report for the half year 1 April 2016 to 30 September 2016](#)**

The Head of Legal Services and Monitoring Officer presented a report which provided a high level view of the council's procurement activity for the period 1 April 2016 to 30 September 2016. Unlike previous reports, which had focused heavily on the activity of the Procurement Board, the information provided related to general procurement activity across the council and the actions of the procurement team.

Members noted that revised contract standing orders had been introduced in June 2016 and that the Executive had approved a new procurement strategy which came into effect on 21 November 2016. As a result of the updated framework the procurement team was able to manage procurement activity more effectively and efficiently.

The committee requested information relating to the impact of the United Kingdom leaving the European Union, on how the council tendered contracts. It was advised that current procurement regulations were embedded in legislation and there would be no change until this was rewritten.

Discussion took place regarding the use of a Dynamic Purchasing System for the procurement of taxis and clarification was provided that the reported

£5 million contract spend was for a ten year period. It was expected the system would provide a saving of some £68 thousand compared to 2016/17. There was some debate on providing transport for schools via council run minibuses but this was dismissed due to the geography and timing of the journeys.

Concern was expressed regarding the value of the waivers for private fostering, members sought reassurance efforts were being made to reduce amount of money spent in this area. Members were reassured that following an extensive recruitment campaign and the revision of the rates paid to in-house foster carers to ensure they were competitive, six new in-house carers had been recruited in 2016/17. A further 12 applications were being processed. This was a significant improvement to the previous year during which only one in-house foster carer had been recruited. It was also noted that the waivers detailed had been sought pending the implementation of a framework agreement on 1 April 2017 which would further reduce the cost of independent fostering.

RESOLVED :

THAT the report be noted.

CHAIRMAN